



U.S.-Saudi Business Council
مجلس الأعمال السعودي الأمريكي

Weekly Market Brief
Week Ending June 4, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia lifted travel restrictions on 11 countries, including the U.S. Existing quarantine regulations will still apply and non-Saudi travelers to the Kingdom will be required to provide a health certificate showing a negative PCR test within 72 hours of travel.
- Saudi Arabia's PMI rose to 56.4 in May (up from 55.2 in April), registering the strongest increase in output since Q4 2017. Employment gains continued for a second month, though the pace slowed compared to April. Saudi non-oil, private sector firms cited growth in new business and a pickup in export sales amid an increase in global demand.
- Remittances from expatriates in Saudi Arabia increased by 36 percent YoY to SAR 13.3 billion (\$3.5 billion) in April, bringing the 4-month YTD total to SAR 50.7 billion (\$13.5 billion). The value of remittances from expats is up 16.3 percent YTD. Saudi Arabia was the third largest source of remittances globally in 2020, behind the U.A.E and U.S.
- The population of Saudi Arabia grew 2.3 percent YoY in 2020 to reach 35.01 million, according to a recent report from the General Authority for Statistics (GASat). The fastest growing age groups were 40-44 (+2.8 percent) and 35-39 (+2.7 percent). Roughly 69 percent of Saudi Arabia's population is under the age of 35 and 49 percent of the population is under 25 years old.
- Saudi banks and financial institutions issued 25,731 new mortgages in April with an average size of SAR556k (\$148k). The total value of new mortgages reached SAR14.3 billion (\$3.8 billion), up 43 percent YoY.
- Bank lending to the private sector in Saudi Arabia rose 0.7 percent MoM to reach SAR1.88 trillion (\$502 billion) in April, according to SAMA. Private sector lending rose SAR13 billion (\$3.5 billion) since the beginning of the year. Meanwhile, Saudi Arabia's net foreign assets declined 1.9 percent MoM to SAR1.6 trillion (\$436 billion).

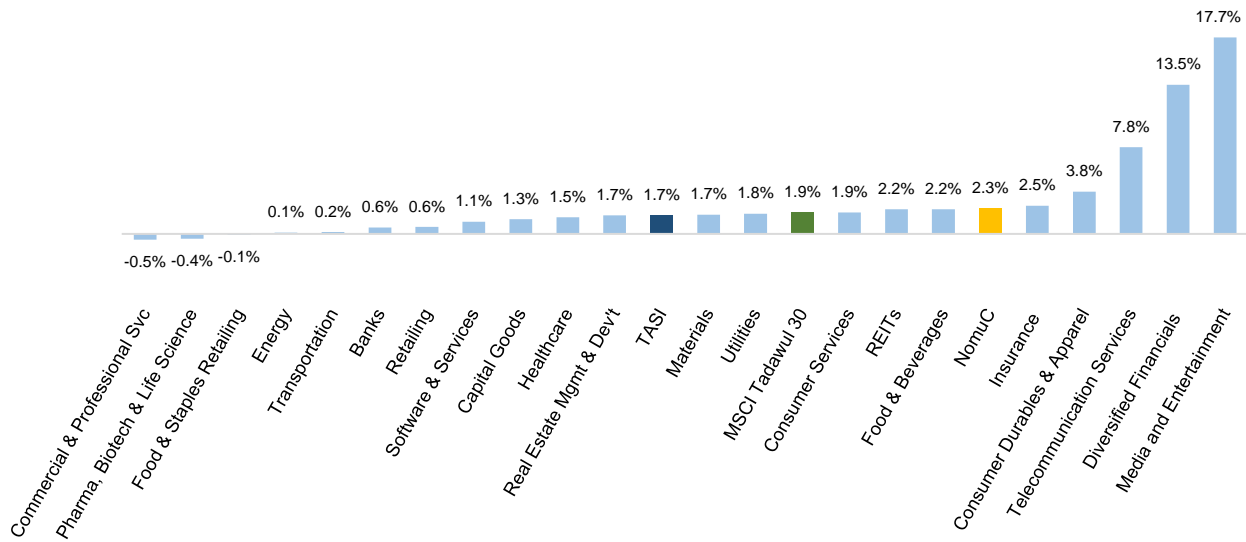


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Tadawul

The TASI rose 1.7 percent and closed at 10,698 points for its fourth consecutive weekly gain. 'Media & Entertainment' led with a 17.7 percent increase after Saudi Research and Media Group reported a 41 percent increase in Q1 net profit. 'Diversified Financials' and 'Telecommunication Services' rose 13.5 percent and 7.8 percent, respectively. 'Commercial & Professional Services' declined 0.5 percent, one of only three sectors to finish lower on the week. The NomuC parallel market index gained 2.3 percent and the MSCI Tadawul 30 index rose 1.9 percent to close the week at 1,440 points.

Tadawul Weekly Index Performance - June 4, 2021



Source: Tadawul, USSBC

Saudi Aramco may return to global capital markets to raise SAR18.8 billion (\$5 billion) through a sukuk sale, according to Bloomberg. Aramco is considering sales of both dollar and riyal-denominated sukuk to help fund its SAR281 billion (\$75 billion) dividend commitment.

The total value of shares purchased by foreign investors in Tadawul during May amounted to SAR 15.3 billion (\$4.1 billion). Foreign investors accounted for 9.7 percent of total buying activities and 8.5 percent of selling activities last month.



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Investment and Trade

- U.S. engineering firm AECOM received a four-year contract from UAE's Majid Al Futtaim to provide lead consultancy services for the Mall of Saudi development within the planned Riyadh North mixed-use development. AECOM will provide pre-contract and post-contract construction supervision for the mall.
- The Ministry of Commerce granted six steel export licenses and six cement export licenses so far in 2021 as the Saudi construction sector bounces back from the COVID-19 pandemic.
- The Saudi Grains Organization (SAGO) agreed to buy 562k tons of wheat for delivery between August and September from sources in North America, the EU, Black Sea region, and South America. A tender for 720k tons of hard wheat with 12.5 percent protein content was closed last week.
- Riyadh was confirmed as the host for the 2023 World Combat Games, an international sporting event featuring 15 combat sports and martial arts that include boxing, judo, kendo, Thai boxing, and wrestling. In recent years, Saudi Arabia has hosted several international wrestling and boxing tournaments and was recently selected as host for the 2034 Asian Games.
- Saudi Aramco's entrepreneurship arm Wa'ed invested SAR1.9 billion (\$500 million) in Saudi drone company FalconViz. FalconViz is based at King Abdullah University of Science and Technology (KAUST) and has partnered with U.S. companies AECOM, Dow Chemical, Jacobs Engineering, and Boston Consulting Group.
- Creating Culinary Communities (C3), a U.S.-based food technology platform, announced a SAR375 million (\$100 million) Saudi joint venture with investment firm WK Holding. C3 will own a controlling stake in the company, C3 Arabia, and is set to launch its first set of outlets in early 2022.
- NEOM awarded South Korea's Hanmi Global a SAR8.6 million (\$2.3 million) contract to deliver project management office services for The Line project. The Line project, a linear urban development project part of NEOM, was announced in January 2021.
- Saudi Chemical Company Holding (SCCH) signed a five-year, SAR100 million (\$27 million) deal with GlaxoSmithKline to manufacture pharmaceutical products in the Kingdom under a partnership between GlaxoSmithKline Consumer Healthcare Saudi and SCCH unit AJA Pharmaceutical Industries.



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Banking

Weekly money supply M1, M2, and M3 each rose 0.7 percent during the week ending May 27.

U.S. MARKETS

U.S. Macroeconomic Developments

- The U.S. economy netted 559k jobs in May for the fifth straight monthly gain. The unemployment rate fell to 5.8 percent from 6.1 percent in April. Leisure and hospitality (+292k) saw the strongest employment gains, followed by education and health (+87k). According to the most recent Department of Labor data, the four-week average of U.S. jobless claims reached the lowest level since March 2020 during the week ending May 22.
- U.S. manufacturing PMI rose to 62.1 in May, up from 60.5 in April. The rise in new orders was the fastest pace on record. Services PMI meanwhile rose to 70.4 with new orders also setting a record high, though the pace of service sector employment gains slowed.
- Total construction spending edged up 0.2 percent in April. Residential spending rose 1 percent amid higher spending on single-family, multi-family, and home improvement projects. Nonresidential construction spending slipped 0.5 percent, declining for the fifth straight month.

Fixed Income

The yield on the ten-year U.S. Treasury declined to 1.56 percent.

Equity Markets

The Dow Jones Industrial Average rose 0.7 percent and finished the week at 34,756 points. The S&P 500 gained 0.6 percent and finished at 4,230 points while the NASDAQ rose 0.5 percent and closed at 13,815 points.



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GLOBAL MARKETS

- Arab Light crude prices gained 2.8 percent last week and closed at \$70.91 per barrel, the first weekly close over \$70 since January 2020. Brent crude rose 3.3 percent and finished the week at \$71.89 while West Texas Intermediate (WTI) rose 5 percent and closed the week at \$69.62. U.S. energy firms cut the number of operating oil & gas rigs for the first time in six weeks as growth in drilling slowed despite crude prices reaching the highest levels since 2018. Member nations of OPEC+ affirmed their commitment to previously agreed supply cuts and a gradual increase in output, boosting global oil markets.
- U.A.E.'s PMI ticked down to 52.3 in May compared to 52.7 in April as employment levels continued to fall and international orders decreased. Output and new orders, driven by strong domestic demand, continued to increase in May. Business expectations also rose for the sixth consecutive month.
- Egypt's PMI rose to 48.6 in May from 47.7 in April, remaining below the 50-point mark that separates growth from contraction. Output and new orders contracted at a softer pace, but business expectations rose to the highest level in three years.

THE WEEK AHEAD

- U.S. releases trade balance for April on June 8
- U.S. releases inflation figures for May on June 10
- Saudi Arabia releases industrial production index for April on June 10